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Report SA2024009  
November 21, 2023

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Summary Report on Significant Single Audit Findings  
Impacting DOT Programs for the 3-Month Period Ending  
September 30, 2023



## Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending September 30, 2023

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*Self-Initiated*

Office of the Secretary | SA2024009 | November 21, 2023

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### **What We Looked At**

We queried and downloaded 91 single audit reports prepared by non-Federal auditors and submitted to the Federal Audit Clearinghouse between July 1, 2023, and September 30, 2023, to identify significant findings related to programs directly funded by the Department of Transportation (DOT).

### **What We Found**

We found that reports contained a range of findings that impacted DOT programs. The auditors reported 43 incidents of significant noncompliance with Federal guidelines related to 19 grantees that require prompt action from DOT's Operating Administrations (OA). Of these 43 findings, 13 were repeat findings related to 10 grantees. The auditors also identified questioned costs totaling \$6,464,590 for five grantees. Of this amount, \$5,141,550 was related to the State of Oklahoma, and \$989,435 to Ottawa County, Oklahoma. Additionally, we identified nonmonetary repeat findings that caused qualified opinions for Cherokee County, Georgia; the Jackson Municipal Airport Authority, Jackson, MS; the City of Santa Fe, New Mexico; the County of San Joaquin, California; the North Coast Railroad Authority, Ukiah, CA; Ottawa County, Oklahoma; Alamosa County, Colorado; Lower Brule Sioux Tribe, Lower Brule, SD; and the Commonwealth Ports Authority, Saipan, MP.

### **Our Recommendations**

We recommend that DOT coordinate with the impacted OAs to develop a corrective action plan to resolve and close the findings identified in this report. We also recommend that DOT determine the allowability of the questioned transactions and recover \$6,464,590, if applicable.



## Memorandum

Date: November 21, 2023

Subject: ACTION: Summary Report on Significant Single Audit Findings Impacting DOT Programs for the 3-Month Period Ending September 30, 2023 | Report No. SA2024009

From: Dormayne "Dory" Dillard-Christian *M. Dillard-Christian*  
Assistant Inspector General for Financial Audits

To: Deputy Assistant Secretary for Administration

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The Office of Inspector General (OIG) performs oversight of independent, non-Federal auditors' single audit<sup>1</sup> reports. These auditors are required to perform the audits in accordance with generally accepted Government auditing standards and the Office of Management and Budget's Uniform Guidance.<sup>2</sup> Between 200 and 300 single audit reports are issued annually that include findings related to programs directly funded by DOT.

We issue memoranda that summarize the single audit reports' significant findings and recommendations that require priority action by DOT. When warranted, we also recommend that DOT recover funds that were inappropriately expended by non-Federal entities.

To identify findings that affect directly awarded DOT programs, we obtained 91 single audit reports prepared by independent auditors and posted to the Federal Audit Clearinghouse<sup>3</sup> between July 1, 2023 and September 30, 2023. From these 91 single audit reports, we identified 90 DOT-related findings and reported on

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<sup>1</sup> A single audit, as required by the Single Audit Act of 1984, as amended, helps Government agencies and auditors oversee the expenditure of Federal funds by non-Federal entities.

<sup>2</sup> Under Title 2 of the Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the auditor is required to render an opinion on the entity's financial statements, identify inappropriate use of Federal funds, and report internal control and compliance deficiencies that affect Federal grant programs.

<sup>3</sup> The Federal Audit Clearinghouse is a public database of completed single audits. Prior to October 1, 2023, the U.S. Census Bureau maintained the Clearinghouse's database, <https://facdissem.census.gov/>, on behalf of the Office of Management and Budget. On October 1, the General Services Administration took over the database's maintenance at <https://fac.gov>, while reports older than October 1, 2023, are still available at <https://facdissem.census.gov/>.

43 significant findings<sup>4</sup> (48 percent). The auditors reported significant noncompliance with Federal guidelines related to 19 grantees that require prompt action from DOT's Operating Administrations (OA). Of the 43 significant findings, 13 were repeat findings related to 10 grantees. The auditors also identified questioned costs totaling \$6,464,590 from five grantees. Of this amount, \$5,141,550 was related to the State of Oklahoma and \$989,435 to Ottawa County, Oklahoma. See the table for a summary of significant single audit findings requiring DOT's most immediate attention.

Additionally, we identified the following nonmonetary repeat findings that caused qualified opinions.

**Cherokee County, Canton, GA.** A sole source contract award was deemed inappropriate and the contracting party was not checked for suspension or debarment.

**Jackson Municipal Airport Authority, Jackson, MS.** The Authority did not comply with Davis-Bacon requirements, since payroll certifications for three of the nine grant draws tested were not maintained.

**City of Santa Fe, Santa Fe, NM.** The City did not provide an equipment listing that tracked items purchased with Federal funds, and the City did not conduct a physical inventory.

**County of San Joaquin, Stockton, CA.** Of the 60 certified payroll reports tested, 13 were not submitted timely.

**North Coast Railroad Authority (NCRA), Ukiah, CA.** NCRA did not provide audited financial statements within the required timeframe. NCRA also did not maintain a fixed charge coverage ratio greater than 1.05, as required by its agreement with the Federal Railroad Administration.

**Ottawa County, Miami, OK.** The County did not design control environment, risk assessment, information and communication or monitoring internal controls. Additionally, the County has not established procedures to ensure compliance with the Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Procurement and Suspension and Debarment and Special Tests and Provisions compliance requirements.

**Alamosa County, Alamosa, CO.** The county did not obtain required certified payroll reports from a contractor.

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<sup>4</sup>We consider a finding significant when DOT is the cognizant agency and the single audit report contains DOT related program findings; when DOT is the oversight or awarding agency and the report includes a qualified opinion, adverse opinion, or disclaimer of opinion; or when a finding includes questioned costs over \$5,000.

**Lower Brule Sioux Tribe, Lower Brule, SD.** The single audit report for the year ended September 30, 2022, was not performed within the required time frame or timely submitted to the Federal Audit Clearinghouse.

**Commonwealth Ports Authority, Saipan, MP.** A reconciliation between capital asset inventory and accounting records noted \$1.8 million in expenses that were not program assets. The fixed asset schedule did not identify who holds title and use of assets, and management could not substantiate the existence of a fixed asset totaling \$1.5 million.

We recommend that DOT:

1. Coordinate with impacted OAs to develop a corrective action plan to resolve and close the findings highlighted in this report.
2. Determine the allowability of the questioned transactions and recover \$6,464,590 if applicable.

Within 30 days of this report, DOT should identify specific actions planned or taken to resolve<sup>5</sup> our recommendations and provide a target action date for implementation. We will track the recommendations until DOT provides documentation of final action. We will consider the recommendations closed upon our review and concurrence. If you have any questions, please email them to [singleauditrequest@oig.dot.gov](mailto:singleauditrequest@oig.dot.gov).

See exhibits A through S for details on the auditees; the non-Federal auditors' findings, including areas of noncompliance; the conditions identified; and the non-Federal auditors' recommendations.<sup>6</sup>

cc: The Secretary  
DOT Audit Liaison, M-1  
DOT Appointee for Single Audits  
DOT Single Audit Liaison

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<sup>5</sup> Pursuant to DOT Memorandum *Policy and Procedures for Expediting Action on Single Audit Report Recommendations* (2009).

<sup>6</sup> These exhibits present verbatim information from reporting packages and Data Collection Forms that we downloaded from the Federal Audit Clearinghouse.

Table 1. Summary of Significant Single Audit Findings Impacting DOT Programs

Non-Federal Entities and End Dates of Audited Fiscal Years	Areas of Noncompliance <sup>a</sup>	Non-Federal Auditors' Finding Numbers	Questioned Costs <sup>b</sup>	Related Exhibits
Cherokee County, Canton, GA, September 30, 2022	Procurement and Suspension and Debarment	2022-002*	Not mentioned	A
City of Pendleton, Pendleton, OR, June 30, 2022	a. Special Tests and Provisions b. Special Tests and Provisions c. Special Tests and Provisions	a. 2022-005 b.2022-006 c. 2022-007	a. Not mentioned b. Not mentioned c. Not mentioned	B
Commonwealth of Massachusetts, Boston, MA, June 30, 2022	Procurement and Suspension and Debarment	2022-014	\$0	C
Jackson Municipal Airport Authority, Jackson, MS, September 30, 2022	Special Tests and Provisions	a. 2022-002*	N/A	D
City of Santa Fe, Santa Fe, NM, June 30, 2021	a. Equipment and Real Property Management b. Matching, Level of Effort and Earmarking, Reporting c. Special Tests and Provisions d. Procurement and Suspension and Debarment e. Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance f. Cash Management	a. 2021-008* b. 2021-009 c. 2021-010 d. 2021-011 e. 2021-012 f. 2021-013	a. N/A b. N/A c. N/A d. N/A e. N/A f. N/A	E
Cobb County Government, Marietta, GA, September 30, 2022	Procurement and Suspension and Debarment	2022-004	Not mentioned	F
County of San Joaquin, Stockton, CA, June 30, 2022	Special Tests and Provisions	2022-011*	None reported	G

Non-Federal Entities and End Dates of Audited Fiscal Years	Areas of Noncompliance <sup>a</sup>	Non-Federal Auditors' Finding Numbers	Questioned Costs <sup>b</sup>	Related Exhibits
Gulf Coast Transit District, Texas City, TX, September 30, 2021	Activities Allowed or Unallowed, Allowable Costs/Cost Principles	2021-001	\$13,119 **	H
North Coast Railroad Authority, Ukiah, CA, June 30, 2019	a. Reporting b. Other	a. 2019-001* b. 2019-002*	a. N/A b. N/A	I
Ottawa County, Miami, OK, June 30, 2020	a. Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Procurement and Suspension and Debarment, Special Tests and Provisions b. Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Procurement and Suspension and Debarment, Special Tests and Provisions c. Activities Allowed or Unallowed, Allowable Costs/Cost Principles	a. 2020-017* b. 2020-018* c. 2020-019*	a. \$0 b. \$0 c. \$989,435	J
State of Colorado, Denver, CO, June 30, 2022	a. Subrecipient Monitoring b. Cash Management	a. 2022-076 b. 2022-077	a. \$0 b. \$0	K
State of Oklahoma, Oklahoma City, OK, June 30, 2021	a. Subrecipient Monitoring b. Activities Allowed or Unallowed, Allowable Costs/Cost Principles c. Reporting d. Special Tests and Provisions e. Activities Allowed or Unallowed, Allowable Costs/Cost Principles f. Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting, Subrecipient Monitoring	a. 2021-017 b. 2021-044 c. 2021-058 d. 2021-077 e. 2021-082 f. 2021-108	a. \$0 b. \$27,541 c. Not mentioned d. \$55,369 e. \$25,436 f. \$5,033,204	L

Non-Federal Entities and End Dates of Audited Fiscal Years	Areas of Noncompliance <sup>a</sup>	Non-Federal Auditors' Finding Numbers	Questioned Costs <sup>b</sup>	Related Exhibits
Alamosa County, Alamosa, CO, December 31, 2022	a. Special Tests and Provisions b. Reporting	a. 2022-002* b. 2022-003	a. None b. None	M
Lower Brule Sioux Tribe, Lower Brule, SD, September 30, 2022	a. Equipment and Real Property Management b. Reporting	a. 2022-005 b. 2022-007*	a. None b. None	N
Commonwealth Ports Authority, Saipan, MP, September 30, 2022	Equipment and Real Property Management	2022-003*	a. \$0	O
Joint Programs of the Shoshone and Arapaho Tribes of the Wind River Reservation, Fort Washakie, WY, December 31, 2019	a. Activities Allowed or Unallowed, Allowable Costs/Cost Principles b. Cash Management c. Activities Allowed or Unallowed, Allowable Costs/Cost Principles d. Equipment and Real Property Management e. Procurement and Suspension and Debarment f. Reporting g. Special Tests and Provisions	a. 2019-003 b. 2019-004 c. 2019-005 d. 2019-006 e. 2019-007 f. 2019-008 g. 2019-009	a. Unable to determine b. Unable to determine c. \$180,861 d. Unable to determine e. Unable to determine f. Unable to determine g. Unable to determine	P
Hydaburg Cooperative Association, Hydaburg, AK, December 31, 2022	Activities Allowed or Unallowed, Allowable Costs/Cost Principles	2022-011*	Actual and likely questioned costs estimated to be below the reporting threshold of \$25,000.	Q
Capital Area Transit System, Baton Rouge, LA, December 31, 2022	Procurement and Suspension and Debarment	2022-005	Unknown	R

Non-Federal Entities and End Dates of Audited Fiscal Years	Areas of Noncompliance <sup>a</sup>	Non-Federal Auditors' Finding Numbers	Questioned Costs <sup>b</sup>	Related Exhibits
Gerald R. Ford International Airport Authority, Grand Rapids, MI, December 31, 2022	Activities Allowed or Unallowed	2022-004	\$139,625	S

<sup>a</sup> 2 CFR Part 200, Appendix XI, Compliance Supplement, Part 3, identifies and describes the 12 types of compliance requirements.

<sup>b</sup> Non-Federal auditor findings do not always result in questioned costs.

\* Repeat Finding

\*\* COVID-19

Source: Independent auditors' reports.

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## Exhibit A. Cherokee County, Canton, GA

**Report Date:** June 23, 2023

**Fiscal Year Ending:** September 30, 2022

**Applicable DOT Operating Administration and Program:** Federal Transit Administration (FTA), Federal Transit Cluster

**Finding Number:** 2022-002<sup>7</sup> [**Repeat Finding:** 2021-002]

**Compliance Requirement:** Procurement and Suspension and Debarment

**Condition:** A contract was awarded under the provisions of sole source of procurement however, documentation relating to the award was unclear that this procurement method was appropriate under the circumstances. Additionally, no documentation of the review that the contracting party was not suspended or debarred was included in the procurement documentation.

**Independent Auditor's Recommendation:** Procedures relating to retaining appropriate documentation of sole source contracts and consideration that contracting parties have not been suspended or debarred should be strengthened.

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<sup>7</sup> Caused a Qualified Opinion on FTA's Federal Transit Cluster.

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## Exhibit B. City of Pendleton, Pendleton, OR

**Report Date:** May 17, 2023

**Fiscal Year Ending:** June 30, 2022

**Applicable DOT Operating Administration and Program:** Federal Aviation Administration (FAA), Airport Improvement Program

**Finding Number:** 2022-005<sup>8</sup>

**Compliance Requirement:** Special Tests and Provisions

**Condition:** There were contracting issues with some of the contractors performing barracks improvements and none of the contracts were performed under prevailing wage provisions, as required. The costs appear to be allowable costs and activities, but approximately \$118k should have been performed under prevailing wage standards, which is material to the program.

**Independent Auditor's Recommendation:** We recommend that additional reviews and procedures be out in place to ensure that all contracts with prevailing wage requirements are performed accordingly.

### Finding 2 of 3

**Applicable DOT Operating Administration and Program:** FAA, Airport Improvement Program

**Finding Number:** 2022-006<sup>9</sup>

**Compliance Requirement:** Special Tests and Provisions

**Condition:** The airport is allowed to submit payroll costs for reimbursement as part of the CARES Act program. There has not been a secondary review process on this portion of the expenses claimed and there were errors found in the amounts claimed for January, February and April claims. The overall amount claimed was less than the amount that was available and the funding level had been reached by year end.

**Independent Auditor's Recommendation:** This is an ongoing finding, and we continue to recommend a secondary review and double checks of amounts claimed in the future.

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<sup>8</sup> Caused a Qualified Opinion on FAA's Airport Improvement Program.

<sup>9</sup> Caused a Qualified Opinion on FAA's Airport Improvement Program.

### **Finding 3 of 3**

**Applicable DOT Operating Administration and Program:** FAA, Airport Improvement Program

**Finding Number:** 2022-007<sup>10</sup>

**Compliance Requirement:** Special Tests and Provisions

**Condition:** The Airport claimed costs under the CARES Act that were originally determined to be deferred maintenance and not requiring an addendum for a development agreement. However, the taxi lanes and portions of the terminal rehabilitation projects are now required to go through a development addendum, which the FAA had not approved at the time of the audit.

**Independent Auditor's Recommendation:** We recommend that additional procedures and reviews be put in place to monitor projects that may require development addendums and that the addendums be obtained prior to performing the project.

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<sup>10</sup> Caused a Qualified Opinion on FAA's Airport Improvement Program.

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## Exhibit C. Commonwealth of Massachusetts, Boston, MA

**Report Date:** June 20, 2023

**Fiscal Year Ending:** June 30, 2022<sup>11</sup>

**Applicable DOT Operating Administration and Program:** Federal Highways Administration (FHWA), Highway Planning and Construction Cluster, COVID-19 Highway Planning and Construction Cluster

**Finding Number:** 2022-014

**Compliance Requirement:** Procurement and Suspension and Debarment

**Condition:** The Department of Transportation (Department) could not provide support that it ensured its subrecipients were not suspended or debarred before issuing subawards to the entities.

**Independent Auditor's Recommendation:** We recommend the Department implement controls and procedures to ensure it maintains documentation of suspension and debarments checks and that the documentation is available for audit.

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<sup>11</sup> Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

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## Exhibit D. Jackson Municipal Airport Authority, Jackson, MS

**Report Date:** June 30, 2023

**Fiscal Year Ending:** September 30, 2022

**Applicable DOT Operating Administration and Program:** FAA, Airport Improvement Program

**Finding Number:** 2022-002<sup>12</sup> [**Repeat Finding:** 2021-003]

**Compliance Requirement:** Special Tests and Provisions

**Condition:** Proper documentation is not maintained by the Authority to verify compliance with Davis-Bacon. There were nine grant draws during fiscal year 2023, which were subject to Davis-Bacon requirements. We selected all nine payments for testing. The Authority was unable to provide the required payroll certifications for three of the nine selections, resulting in an error rate of 33%.

**Independent Auditor's Recommendation:** We recommend the Authority implement controls to improve monitoring of contractor compliance and records retention to demonstrate compliance with these requirements.

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<sup>12</sup> Caused a Qualified Opinion on FAA's Airport Improvement Program.

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## Exhibit E. City of Santa Fe, Santa Fe, NM

**Report Date:** June 30, 2023

**Fiscal Year Ending:** June 30, 2021

**Applicable DOT Operating Administration and Program:** FAA, Airport Improvement Program

**Finding Number:** 2021-008<sup>13</sup> [**Repeat Finding:** 2021-015]

**Compliance Requirement:** Equipment and Real Property Management

**Condition:** The City was not able to provide an equipment listing tracking all items purchased with federal funding nor did the City conduct a physical inventory.

**Independent Auditor's Recommendation:** We recommend the City enhance the design of its control activities and policies and procedures should be developed to ensure physical inventories are taken at least once every two years and that they create a tool to assist in tracking and maintaining equipment purchased with federal funds.

### Finding 2 of 6

**Applicable DOT Operating Administration and Program:** FAA, Airport Improvement Program

**Finding Number:** 2021-009<sup>14</sup>

**Compliance Requirement:** Matching, Level of Effort and Earmarking, Reporting

**Condition:** The City did not submit FFR reports for 3 grants and for 1 grant the City submitted late with no supporting backup documentation to test accuracy of report.

**Independent Auditor's Recommendation:** We recommend the City strengthen the controls in place to provide assurance Federal Financial Reports are submitted accurately and in a timely fashion to the grantor agency.

### Finding 3 of 6

**Applicable DOT Operating Administration and Program:** FAA, Airport Improvement Program

**Finding Number:** 2021-010<sup>15</sup>

**Compliance Requirement:** Special Tests and Provisions

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<sup>13</sup> Caused a Qualified Opinion on FAA's Airport Improvement Program.

<sup>14</sup> Caused a Qualified Opinion on FAA's Airport Improvement Program.

<sup>15</sup> Caused a Qualified Opinion on FAA's Airport Improvement Program.

**Condition:** The City contract to contractor Albuquerque Asphalt, Inc. did not provide the required clauses by the Wage Rate Requirement, previously known as the Davis-Bacon Act.

**Independent Auditor's Recommendation:** We recommend the City strengthen the controls in place to provide assurance that contract agreements entered into with subcontractors contain the required clauses set by the Davis-Bacon act.

#### **Finding 4 of 6**

**Applicable DOT Operating Administration and Program:** FTA, Federal Transit Cluster

**Finding Number:** 2021-011<sup>16</sup>

**Compliance Requirement:** Procurement and Suspension and Debarment

**Condition:** The City does not maintain support that review for suspension and debarment was performed prior to execution of non-RFP awards.

**Independent Auditor's Recommendation:** We recommend the city document controls performed to review for suspension and debarment prior to execution of contracts.

#### **Finding 5 of 6**

**Applicable DOT Operating Administration and Program:** FTA, Federal Transit Cluster

**Finding Number:** 2021-012<sup>17</sup>

**Compliance Requirement:** Activities Allowed or Unallowed, Allowable Costs/Costs Principles, Period of Performance

**Condition:** During our review of non-payroll related transactions, 19 out of 40 transactions tested did not include appropriate approval by the Program Director.

**Independent Auditor's Recommendation:** We recommend the City strengthen the controls in place to provide assurance that proper review occurs with someone knowledgeable with the grant.

#### **Finding 6 of 6**

**Applicable DOT Operating Administration and Program:** FTA, Federal Transit Cluster

**Finding Number:** 2021-013<sup>18</sup>

**Compliance Requirement:** Cash Management

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<sup>16</sup> Caused a Qualified Opinion on FTA's Federal Transit Cluster.

<sup>17</sup> Caused a Qualified Opinion on FTA's Federal Transit Cluster.

<sup>18</sup> Caused a Qualified Opinion on FTA's Federal Transit Cluster.

**Condition:** The City requested drawdowns at the end of the year which is not considered timely. In addition, drawdowns did not have detailed support to test the accuracy of amounts requested.

**Independent Auditor's Recommendation:** We recommend strengthening controls in place to provide assurance that all grant drawdown requests are accurate and submitted timely and supported with detailed backup documentation.

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## Exhibit F. Cobb County Government, Marietta, GA

**Report Date:** July 31, 2023

**Fiscal Year Ending:** September 30, 2022

**Applicable DOT Operating Administration and Program:** FTA, Federal Transit Cluster

**Finding Number:** 2022-004<sup>19</sup>

**Compliance Requirement:** Procurement and Suspension and Debarment

**Condition:** For several contracts charged to these grants, the County did not have documentation verifying that the vendors were not suspended or debarred.

**Independent Auditor's Recommendation:** The County should review requirements relating to contract awards where federal funding will be used and implement procedures to retain acceptable documentation of verification that the contractor has not been suspended or debarred.

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<sup>19</sup> Caused a Qualified Opinion on FTA's Federal Transit Cluster.

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## Exhibit G. County of San Joaquin, Stockton, CA

**Report Date:** July 18, 2023

**Fiscal Year Ending:** June 30, 2022

**Applicable DOT Operating Administration and Program:** FAA, Airport Improvement Program

**Finding Number:** 2022-011<sup>20</sup> [**Repeat Finding:** 2021-014]

**Compliance Requirement:** Special Tests and Provisions

**Condition:** As a result of our audit procedures, we noted 13 out of 60 certified payroll reports selected for testing were not submitted timely (weekly). The total population subject to this requirement was 359 certified payroll reports.

**Independent Auditor's Recommendation:** We recommend that Airport implement policies and procedures to review certified payroll reports submitted by contractors and subcontractors to ensure they are prepared properly and submitted timely.

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<sup>20</sup> Caused a Qualified Opinion on FAA's Airport Improvement Program.

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## Exhibit H. Gulf Coast Transit District, Texas City, TX

**Report Date:** July 28, 2023

**Fiscal Year Ending:** September 30, 2021

**Applicable DOT Operating Administration and Program:** FTA, COVID-19 Federal Transit Cluster

**Finding Number:** 2021-001

**Compliance Requirement:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles

**Condition:** The Transit District lacked proper internal controls over disbursements.

**Independent Auditor's Recommendation:** The Transit District should put a purchase approval process in place before the Transit District's funds are obligated. The Transit District should ensure the rationale for allocation of expenditures to grants is well documented. Alternatively, the Transit District could record expenditures directly to the grants using a system of fund accounting. Adherence to Transit District policies should be monitored. Noncompliance with policies and procedures should be addressed with employees through additional training. Invoices should be paid in a timely manner to ensure late fees are avoided. If late fees are incurred, they should not be charged to grant funds. Finally, all payroll expenditures should be well supported by contracts/work agreements.

**Questioned Costs:** \$13,119

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## Exhibit I. North Coast Railroad Authority, Ukiah, CA

**Report Date:** April 28, 2023

**Fiscal Year Ending:** June 30, 2019

**Applicable DOT Operating Administration and Program:** Federal Railroad Administration (FRA), Federal Railroad Rehabilitation and Improvement Financial Program

**Finding Number:** 2019-001<sup>21</sup> [**Repeat Finding:** 2018-001]

**Compliance Requirement:** Reporting

**Condition:** NCRA did not provide the audited financial statements within the required timeframe.

**Independent Auditor's Recommendation:** NCRA should develop a schedule to complete the audit on a timely basis and prioritize the use of its financial resources accordingly.

### Finding 2 of 2

**Applicable DOT Operating Administration and Program:** Federal Railroad Administration (FRA), Federal Railroad Rehabilitation and Improvement Financial Program

**Finding Number:** 2019-002<sup>22</sup> [**Repeat Finding:** 2018-002]

**Compliance Requirement:** Other

**Condition:** NCRA did not maintain a fixed charge coverage ratio of greater than 1.05.

**Independent Auditor's Recommendation:** We recommend that NCRA work with the Administrator to obtain an amendment to the agreement with achievable financial ratios.

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<sup>21</sup> Caused a Qualified Opinion on FRA's Federal Railroad Rehabilitation and Improvement Financial Program.

<sup>22</sup> Caused a Qualified Opinion on FRA's Federal Railroad Rehabilitation and Improvement Financial Program.

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## Exhibit J. Ottawa County, Miami, OK

**Report Date:** June 21, 2023

**Fiscal Year Ending:** June 30, 2020

**Applicable DOT Operating Administration and Program:** FHWA, Highway Planning and Construction Cluster

**Finding Number:** 2020-017<sup>23</sup> [**Repeat Finding:** 2019-020]

**Compliance Requirement:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Procurement and Suspension and Debarment, Special Tests and Provisions

**Condition:** Through the process of gaining an understanding of the County's internal control structure for federal programs, it was noted that county-wide internal controls regarding Control Environment, Risk Assessment, Information and Communication, and Monitoring have not been designed.

**Independent Auditor's Recommendation:** OSAI recommends that the County implement a system of internal controls to ensure compliance with grant requirements.

### Finding 2 of 3

Applicable DOT Operating Administration and Program: FHWA, Highway Planning and Construction Cluster

Finding Number: 2020-018<sup>24</sup> [**Repeat Finding:** 2019-021]

**Type of Compliance Requirements:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, Procurement and Suspension and Debarment, Special Tests and Provisions

**Condition:** During the process of documenting the County's internal controls regarding federal disbursements, we noted that Ottawa County has not established procedures to ensure compliance with the following compliance requirements: Activities Allowed or Unallowed; Allowable Costs/Costs Principles; Period of Performance; Procurement and Suspension and Debarment; Special Tests and Provisions.

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<sup>23</sup> Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

<sup>24</sup> Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

**Independent Auditor’s Recommendation:** OSAI recommends the County gain an understanding of requirements for this program and implement internal control procedures to ensure compliance with all requirements.

**Finding 3 of 3**

**Applicable DOT Operating Administration and Program:** FHWA, Highway Planning and Construction Cluster

**Finding Number:** 2020-019<sup>25</sup> [**Repeat Finding:** 2019-022]

**Type of Compliance Requirements:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles

**Condition:** Upon inquiry, review, and test work of fourteen (14) or 100% of major program expenditures, the following exceptions were noted:

- Eight (8) invoices totaling \$989,434.94 could not be located.
- In addition to not being supported by an invoice, the County could not provide an approved, signed copy of purchase order 4709.

**Independent Auditor’s Recommendation:** OSAI recommends the County gain an understanding of requirements for this program and implement internal control procedures to ensure compliance with all requirements.

**Questioned Costs:** \$989,435

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<sup>25</sup> Caused a Qualified Opinion on FHWA’s Highway Planning and Construction Cluster.

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## Exhibit K. State of Colorado, Denver, CO

**Report Date:** December 20, 2022

**Fiscal Year Ending:** June 30, 2022

**Applicable DOT Operating Administration and Program:** FHWA, Highway Planning and Construction Cluster

**Finding Number:** 2022-076<sup>26</sup>

**Compliance Requirement:** Subrecipient Monitoring

**Condition:** We determined that the Department did not comply with subrecipient monitoring requirements for the Highway Planning and Construction Program during Fiscal Year 2022, as noted below:

- The Department did not perform a risk assessment for 6 of the 25 subrecipients (24 percent) we tested, including subrecipients where eligibility was determined by a MPO.
- The Department improperly included one vendor in our population of subrecipients. The nature of services provided by the vendor was personal services, therefore, did not require the execution of an IGA.
- The Department did not provide supporting documentation for reviews of any Fiscal Year 2022 financial and programmatic reports. As a result, we were unable to determine if any reviews were conducted during the fiscal year, as required.

**Independent Auditor's Recommendation:** The Department of Transportation should strengthen internal controls over and ensure that it complies with federal subrecipient monitoring requirements for the Highway Planning and Construction program by:

- A. Updating its current subrecipient monitoring and risk assessment policy to clarify the frequency in which a risk assessment is required to be completed or updated, as applicable for contracts that span multiple fiscal years, as well as direction regarding when it is acceptable to forgo performing a risk assessment and updating the policy to address the nature in which subrecipient programmatic and financial reports are reviewed.
- B. Providing training to staff responsible for subrecipient monitoring activities related to the policies updated in Part A of the finding.

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<sup>26</sup> Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

## Finding 2 of 2

**Applicable DOT Operating Administration and Program:** FHWA, Highway Planning and Construction Cluster

**Finding Number:** 2022-077<sup>27</sup>

**Compliance Requirement:** Cash Management

**Condition:** We determined that the Department did not comply with the approved cash management draw patterns contained in the Agreements for the Highway Planning and Construction program for Fiscal Year 2022. Overall, 8 of the 25 draws (32 percent) were not made in accordance with the applicable Agreement, as follows:

- We noted that 6 of the 16 draws (38 percent) were not performed on the 5-day approved draw pattern in place after October 13, 2021 and instead, were performed on a 4-day draw pattern.
- We also noted that 2 of the 9 draws (22 percent) sampled from the first Agreement were not completed in accordance with the 4-day approved draw pattern in place prior to October 13, 2021 and, instead, were performed on a 5-day draw pattern.

**Independent Auditor's Recommendation:** The Department of Transportation (Department) should strengthen its internal controls and processes over and ensure that it complies with federal Cash Management Improvement Act requirements for the federal Highway Planning and Construction Program (Program) by:

- A. Ensuring that Department personnel responsible for preparing and reviewing the cash draw requests are adequately informed of the draw pattern applicable for the current fiscal year, including any federally-approved changes that occur during the year.
- B. Establishing procedures that specify draw request dates in relation to Program expenditures that ensure required draw patterns are met.

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<sup>27</sup> Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

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## Exhibit L. State of Oklahoma, Oklahoma City, OK

**Report Date:** June 19, 2023

**Fiscal Year Ending:** June 30, 2021

**Applicable DOT Operating Administration and Program:** FTA, Formula Grants for Rural Areas

**Finding Number:** 2021-017<sup>28</sup>

**Compliance Requirement:** Subrecipient Monitoring

**Condition:** While documenting the Oklahoma Department of Transportation's Office of Mobility and Public Transit's (OMPT) control processes and performing test work related to subrecipient monitoring, we noted the following:

- OMPT does not have an established process to evaluate the risk of noncompliance for its subrecipients. Program managers in OMPT appear to be unaware of the requirements to perform risk assessments on subrecipients.
- The 2 CFR 200 is very specific on the length of time the OMPT/Oklahoma Department of Transportation has to review audits and perform follow-up on corrective action. The OMPT has an Audit Status Tracking Sheet to track the subrecipient audits; however, the tracking sheet is not updated timely or monitored regularly to ensure that all audits are received or followed-up on by program staff. Through inquiry we were notified the Single Audit Tracking Sheet was not completed due to lack of staff and remote work during the height of the COVID-19 pandemic. We also noted each program manager is responsible for updating the information for their assigned subrecipients, with no oversight to ensure the updates occur.
- It is the responsibility of OMPT to know if the subrecipient expects to spend more than \$750,000 in Federal funding for the year in order to ensure the subrecipient had the correct type of audit. Two of 20 subrecipients were identified in the Audit Status Tracking Sheet as needing a financial audit rather than a single audit; however, amounts reported in those financial audits indicate grant expenditures in excess of \$750,000 and the OMPT did not follow-up to seek further clarification as to the source of the grant funding (Federal or State) and whether a single audit was actually required. The OMPT does not make inquiries with the subrecipients to determine if they anticipate spending more than \$750,000 in Federal funds for the year.

**Independent Auditor's Recommendation:** We recommend that the OMPT develop and implement procedures to ensure subrecipient risk assessments are performed annually and follow-up by incorporating the assessed risk in the design and intensity of its monitoring

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<sup>28</sup> Caused a Qualified Opinion on FTA's Formula Grants for Rural Areas.

activities. We recommend the OMPT inquire of subrecipients as to the Federal expenditures the subrecipient anticipates spending in the fiscal year and update the Single Audit Tracking Sheet with the current year's audit type. We further recommend the Single Audit Tracking Sheet is updated on a monthly basis to ensure all review/follow-up deadlines are met.

## **Finding 2 of 6**

**Applicable DOT Operating Administration and Program:** FTA, Formula Grants for Rural Areas

**Finding Number:** 2021-044<sup>29</sup>

**Type of Compliance Requirements:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles

**Condition:** The Office of Management and Enterprise Services (OMES) informed agencies in February 2018 that any excess Pathfinder contributions (account code 513300 in the Statewide Accounting System) that went to the OPERS defined benefit plan would not be allowed to be charged to Federal grants. The Federal government maintains that the amount used to fund the defined benefit plan is an overcharge to Federal programs. As a result, OMES informed the agencies they would repay the unallowable costs from inception (state fiscal year 2016). However, any agencies charging Federal grants for the unallowable cost after that point would be required to repay on their own.

**Independent Auditor's Recommendation:** We recommend the Oklahoma Department Transportation develop and implement procedures to ensure Pathfinder excess contributions (account 513300) are not charged to Federal grants.

**Questioned Costs:** \$27,541

## **Finding 3 of 6**

**Applicable DOT Operating Administration and Program:** FTA, Formula Grants for Rural Areas

**Finding Number:** 2021-058<sup>30</sup>

**Type of Compliance Requirements:** Reporting

**Condition:** We reviewed the Oklahoma Department of Transportation's State Fiscal Year (SFY) 2021 GAAP Package Z - Schedule Expenditures Federal Awards (SEFA) and noted that the cash basis expenditures and federal receivables for ALN #20.509 were understated by \$4,330,393. The error was not detected during the Comptroller Division's review process.

After the SEFA was amended to correct the above noted errors for ALN #20.509, we noted:

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<sup>29</sup> Caused a Qualified Opinion on FTA's Formula Grants for Rural Areas.

<sup>30</sup> Caused a Qualified Opinion on FTA's Formula Grants for Rural Areas.

- The regular grant cash basis expenditures were overstated by \$5,274,135 and subrecipients expenditures were overstated \$591,508.
- The Cares Act cash basis expenditures and subrecipient expenditures were both understated \$4,925,165.
- The Covid 19 EMR cash basis expenditures were understated \$64,623 and the subrecipient expenditures were understated \$64,668.
- The SEFA was subsequently amended to correct these errors.

**Independent Auditor’s Recommendation:** We recommend the Oklahoma Department of Transportation evaluate training needs for employees who prepare or review the SEFA to ensure they understand reporting elements on the SEFA and how the reporting elements relate to the Oklahoma Department of Transportation’s expenditure or revenue data.

**Finding 4 of 6**

**Applicable DOT Operating Administration and Program:** FHWA, Highway Planning and Construction Cluster

**Finding Number:** 2021-077

**Type of Compliance Requirements:** Special Tests and Provisions

**Condition:** We selected 17 of 59 job piece (JP) related refunds received during SFY 2021 and noted the following:

For 2 of the 17 (11.76%) JP related refunds, the Adjusting Transaction (AT) was not prepared, and the Federal share of the refund was not included as a credit in the weekly billing to Federal Highway Administration (FHWA).

For 1 of the 17 (5.88%) JP related refunds, the AT was prepared and reviewed; however, the AT was not processed, causing the Federal share of the refund to not be included as a credit in the weekly billing to FHWA.

**Independent Auditor’s Recommendation:** We recommend the Oklahoma Department of Transportation evaluate the procedures used to provide the Finance Unit with receipt information to determine where the breakdown in communication occurred and make the appropriate adjustments to the procedures to ensure the omission does not occur in the future. We also recommend the Finance Unit evaluate procedures for processing ATs to determine the adjustments needed in the process to ensure closed projects are processed.

**Questioned Costs:** \$55,369

**Finding 5 of 6**

**Applicable DOT Operating Administration and Program:** FTA, Formula Grants for Rural Areas

**Finding Number:** 2021-082<sup>31</sup>

**Type of Compliance Requirements:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles

**Condition:** We noted the following during our testing of SFY 2021 payroll:

- 11 of 74 (14.86%) randomly sampled employee payroll claims tested included timesheets that were prepared by someone other than the employee. When signing the timesheet, employees are agreeing with the statement, "I certify that this record of my daily hours worked and vehicle usage is TRUE and CORRECT." Since someone other than the employee prepared and submitted the timesheet, this certification is invalid. The Oklahoma Mobility and Public Transit (OMPT) division has multiple grants and employees bill for the hours worked on each grant on their timesheet. Since the employee did not prepare their own timesheet, the time and program worked by the employee was not adequately certified.
- 4 of 74 (5.41%) randomly sampled employee payroll claims tested included timesheets that were prepared and approved by the same employee.

**Independent Auditor's Recommendation:** We recommend that the Oklahoma Department of Transportation design and implement appropriate policies that state the circumstance in which an employee's timesheet can be prepared by a different individual. We further recommend backup approvers be utilized when the timesheet approver is also the preparer.

**Questioned Costs:** \$25,436

## **Finding 6 of 6**

**Applicable DOT Operating Administration and Program:** FTA, Formula Grants for Rural Areas and Formula Grants for Rural Cares Act

**Finding Number:** 2021-108<sup>32</sup>

**Type of Compliance Requirements:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Reporting, Subrecipient Monitoring

**Condition:** When testing the accounts payable for ALN #20.509 reported on the Oklahoma Department of Transportation's SFY2021 GAAP Package Z - Schedule Expenditures Federal Awards (SEFA), second revision, we noted:

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<sup>31</sup> Caused a Qualified Opinion on FTA's Formula Grants for Rural Areas.

<sup>32</sup> Caused a Qualified Opinion on FTA's Formula Grants for Rural Areas.

- The regular grant's accounts payable was overstated \$421,461 because it included the AP amounts of \$383,972 for ALN #20.526 and \$37,489 for ALN #20.528. These accounts payable amounts were not reported for either ALN #20.526 or #20.528.
- The CARES Act's accounts payable was overstated \$5,033,204 due to improper payments (this amount is considered questioned costs).

**Independent Auditor's Recommendation:** We recommend the Oklahoma Department of Transportation:

- Ensure the reporting unit receives training on how to breakdown the OMPT expenditures into the proper assistance listing numbers to prevent the breakdown error from occurring in future reporting.
- Seek a refund of the \$5,033,204 overpayment from the subrecipient and coordinate with the Federal Transit Authority (FTA) on the proper method of refunding FTA.
- Ensure the OMPT and the Comptroller Division receives training on how to review claims to ensure only the current amounts due are being approved and paid.

**Questioned Costs:** \$5,033,204

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## Exhibit M. Alamosa County, Alamosa, CO

**Report Date:** September 25, 2023

**Fiscal Year Ending:** December 31, 2022

**Applicable DOT Operating Administration and Program:** FAA, Airport Improvement Program

**Finding Number:** 2022-002<sup>33</sup> [**Repeat Finding:** 2021-001]

**Compliance Requirement:** Special Tests and Provisions

**Condition:** The County did not obtain the required certified payroll reports from the contractor.

**Independent Auditor's Recommendation:** We recommend the County should develop policies and procedures to implement monitoring controls over the federal program wage rate requirements.

### Finding 2 of 2

**Applicable DOT Operating Administration and Program:** FAA, Airport Improvement Program

**Finding Number:** 2022-003<sup>34</sup>

**Type of Compliance Requirements:** Reporting

**Condition:** The County omitted cash disbursements of \$995,545 which resulted in reporting cash on hand of this same amount on the SF-425 Annual Federal Financial Report for the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) grant submitted for the Airport Improvement Program (AIP) project for the period ending September 30, 2022.

**Independent Auditor's Recommendation:** We recommend the County should strengthen its internal controls with adopted policies and procedures to ensure accurate financial reporting in compliance with AIP requirements.

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<sup>33</sup> Caused a Qualified Opinion on FAA's Airport Improvement Program.

<sup>34</sup> Caused a Qualified Opinion on FAA's Airport Improvement Program.

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## Exhibit N. Lower Brule Sioux Tribe, Lower Brule, SD

**Report Date:** August 29, 2023

**Fiscal Year Ending:** September 30, 2022

**Applicable DOT Operating Administration and Program:** FTA, Formula Grants for Rural Areas and Tribal Transit Programs

**Finding Number:** 2022-005<sup>35</sup>

**Compliance Requirement:** Equipment and Real Property Management

**Condition:** The Tribe has not performed a complete physical inventory of capital assets in the past 3 years. Additionally, current year capital asset purchases were not included in the capital asset reports until identified during the audit process.

**Independent Auditor's Recommendation:** We recommend a complete government-wide physical inventory count of detailed capital assets every two years. Once completed, reconcile the physical inventory documentation to the capital asset listing and the general ledger control total. Implement procedures to ensure that current year additions are identified and added to the capital asset records.

### Finding 2 of 2

**Applicable DOT Operating Administration and Program:** FTA, Formula Grants for Rural Areas and Tribal Transit Programs

**Finding Number:** 2022-007<sup>36</sup> [**Repeat Finding:** 2021-006]

**Type of Compliance Requirements:** Reporting

**Condition:** The Tribe did not have the required Single Audit performed within the required time frame as cited above. The single audit report for the year ended September 30, 2022, was not completed and submitted to the Federal Audit Clearinghouse by the due date.

**Independent Auditor's Recommendation:** We recommend to ensure compliance with Uniform Guidance requirements, the Tribe should prepare and maintain accurate, complete and timely financial statements. All significant general ledger account balances are analyzed and reconciled to supporting accounting records or subsidiary accounting ledgers monthly. Implement a month-end management review process of all reconciliations, all adjusting journal entries, all subsidiary accounting ledgers and the financial statements. Finally, ensure the year-

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<sup>35</sup> Caused a Qualified Opinion on FTA's Formula Grants for Rural Areas and Tribal Transit Programs.

<sup>36</sup> Caused a Qualified Opinion on FTA's Formula Grants for Rural Areas and Tribal Transit Programs.

end reconciliations are performed timely to ensure an audit can be performed and the Single Audit reporting package can be submitted by the required deadline.

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# Exhibit O. Commonwealth Ports Authority, Saipan, MP

**Report Date:** August 29, 2023

**Fiscal Year Ending:** September 30, 2022

**Applicable DOT Operating Administration and Program:** FAA, Airport Improvement Program

**Finding Number:** 2022-003<sup>37</sup> [**Repeat Finding:** 2021-002]

**Compliance Requirement:** Equipment and Real Property Management

**Condition:** Tests of equipment and real property noted the following:

1. CPA performed a capital assets inventory during fiscal year 2022. Based on controls testing, a reconciliation was performed at the department level; however, it was not reconciled with accounting records, resulting in \$1,824,424 that were identified as not program assets. Total fixed asset additions capitalized and related to CPA’s major program, is as follows:

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Table 2. Capital Assets Inventory

Fiscal Year	Capital Outlays
2022	\$5,691,628
2021	\$12,113,793
2020	\$3,681,264
2019	\$29,437,789
2018	\$2,901,938

2. The fixed assets schedule did not include information such as who holds title and the use of the assets.

Of nine items (or 11%) tested of a total population of eighty-nine FAA-funded capital assets, we noted deficiencies, as follows:

3. One item (or 11%) has been unidentified, and management was not able to substantiate the existence of the actual fixed asset. It also has outlived its 20-year life expectancy.

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<sup>37</sup> Caused a Qualified Opinion on FAA’s Airport Improvement Program.

Table 3. Unidentified Fixed Asset

General Ledger Asset Account No.	System Number	Description	Acquisition Date	Acquisition Cost	Net Book Value
1520-311	000047	FAA 06-69-0011-04	01/01/81	\$1,503,392	\$ 0

**Independent Auditor’s Recommendation:** We recommend the CPA reconcile the results of the annual physical inventory to the property records and ascertain that the acquisition costs of the individual assets agree to the records of accounting. Further, sufficient details should be included in the fixed assets subledger to specifically identify the individual assets.

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## Exhibit P. Joint Programs of the Shoshone and Arapaho Tribes of the Wind River Reservation, Fort Washakie, WY

**Report Date:** September 13, 2023

**Fiscal Year Ending:** December 31, 2019

**Applicable DOT Operating Administration and Program:** FHWA, Highway Planning and Construction Cluster

**Finding Number:** 2019-003<sup>38</sup>

**Compliance Requirement:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles

**Condition:** Joint Programs cash balance is not sufficient to cover the unearned revenue balances. The advance payments were not invested and kept available until expended for the purposes of the awards.

**Independent Auditor's Recommendation:** We recommend that Joint Programs obtain financing from other resources to increase the cash balance.

### Finding 2 of 7

**Applicable DOT Operating Administration and Program:** FHWA, Tribal Road Maintenance Program

**Finding Number:** 2019-004<sup>39</sup>

**Type of Compliance Requirements:** Cash Management

**Condition:** Sufficient supporting documentation for drawdowns was not maintained, such as payments requested, details of the expenditures for reimbursements, or evidence of supervisory approval of the requests.

**Independent Auditor's Recommendation:** We recommend that Joint Programs use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. We also recommend all records be maintained and filed in a way that allows them to be located and reviewed at any point in time.

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<sup>38</sup> Caused a Disclaimer of Opinion on FHWA's Highway Planning and Construction Cluster.

<sup>39</sup> Caused a Disclaimer of Opinion on FHWA's Tribal Road Maintenance Program.

### Finding 3 of 7

**Applicable DOT Operating Administration and Program:** FHWA, Highway Planning and Construction Cluster and Tribal Road Maintenance Program

**Finding Number:** 2019-005<sup>40</sup>

**Type of Compliance Requirements:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles

**Condition:** During transactional testing of the Judicial Services (CFDA #15.029) program, the following were noted:

- Out of 61 transactions selected, (1 individually important item (III) and 60 samples), 45 payroll samples did not have proper PANs to verify position or payrate approval. 5 samples were not provided any support to test on adequate controls or compliance with allowable activities/costs.
- During transactional testing of the Highway Planning and Construction Cluster (CFDA #20.205), the following were noted:
- Out of 68 transactions selected (8 individually important items (III) and 60 samples) there was no support provided for 49 of 49 payroll transactions selected for testing.

During transactional testing of the Tribal Road Maintenance (CFDA #20.509), the following were noted:

- Out of 63 transactions selected (3 individually important items (III) and 60 samples) there was no support provided for 42 of 42 payroll transactions selected for testing.

**Independent Auditor's Recommendation:** We recommend that Joint Programs use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. We also recommend all records be maintained and filed in a way that allows them to be located and reviewed at any point in time.

**Questioned Costs:** \$180,861<sup>41</sup>

### Finding 4 of 7

**Applicable DOT Operating Administration and Program:** FHWA, Highway Planning and Construction Cluster and Tribal Road Maintenance Program

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<sup>40</sup> Caused a Disclaimer of Opinion on FHWA's Highway Planning and Construction Cluster and Tribal Road Maintenance Program.

<sup>41</sup> Questioned costs, which totaled \$180,861, were comprised of \$58,742 from the 20.205 Highway Planning and Construction Cluster and \$122,119 from Tribal Road Maintenance Program.

**Finding Number:** 2019-006<sup>42</sup>

**Type of Compliance Requirements:** Equipment and Real Property Management

**Condition:** Management has not implemented an effective internal control system.

1. Property records were not maintained in FY 2019.
2. A physical inventory was not taken in 2018 or 2019.

**Independent Auditor's Recommendation:** We recommend that Joint Programs use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. In addition, we recommend that physical inventory is taken and that the results are reconciled with the property records at least once every 2 years.

### **Finding 5 of 7**

**Applicable DOT Operating Administration and Program:** FHWA, Highway Planning and Construction Cluster and Tribal Road Maintenance Program

**Finding Number:** 2019-007<sup>43</sup>

**Type of Compliance Requirements:** Procurement and Suspension and Debarment

**Condition:**

#### **20.205. Highway Planning and Construction Cluster.**

6 of 8 individually important items and 2 of 2 procurement samples selected for testing did not have any bidding documentation provided.

3 of 3 individually important items and 1 of 1 suspension and debarment samples selected for testing did not have any proof of vendor verification.

#### **20.509. Tribal Road Maintenance**

3 of 3 individually important items and 2 of 2 procurement samples selected for testing did not have any bidding documentation provided.

2 of 2 individually important items and 1 of 1 suspension and debarment samples selected for testing did not have any proof of vendor verification.

**Independent Auditor's Recommendation:** We recommend that Joint Programs use the Green Book to design, implement, and operate internal controls to achieve its objectives related to

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<sup>42</sup> Caused a Disclaimer of Opinion on FHWA's Highway Planning and Construction Cluster and Tribal Road Maintenance Program.

<sup>43</sup> Caused a Disclaimer of Opinion on FHWA's Highway Planning and Construction Cluster and Tribal Road Maintenance Program.

operations, reporting, and compliance. We also recommend that Joint Programs conduct a training for staff to review procurement policies and procedures and maintain all records in a way that allows them to be located and reviewed at any point in time.

### **Finding 6 of 7**

**Operating Administration and Program:** FHWA, Highway Planning and Construction Cluster

**Finding Number:** 2019-008<sup>44</sup>

**Type of Compliance Requirements:** Reporting

**Condition:** Management has not implemented an effective internal control system for report. We were not provided 1 of 1 required PR-20 Voucher for Work Under Provisions of the Federal-Aid and Federal Highway Acts Report.

**Independent Auditor's Recommendation:** We recommend Joint Programs should improve the controls over the reporting function, which includes the documentation, review, and approval of all required reports, and effective controls over the preparation of reports, as well as a monitoring function to ensure that controls are in place and operating effectively for report submission.

### **Finding 7 of 7**

**Applicable DOT Operating Administration and Program:** FHWA, Highway Planning and Construction Cluster

**Finding Number:** 2019-009<sup>45</sup>

**Type of Compliance Requirements:** Special Tests and Provisions

**Condition:** Management has not implemented an effective internal control system. No support was provided to test any special tests or provisions for this program.

**Independent Auditor's Recommendation:** We recommend that Joint Programs use the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. We also recommend Joint Programs maintain records in a way that allows them to be located and reviewed at any point in time.

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<sup>44</sup> Caused a Disclaimer of Opinion on FHWA's Highway Planning and Construction Cluster.

<sup>45</sup> Caused a Disclaimer of Opinion on FHWA's Highway Planning and Construction Cluster.

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## Exhibit Q. Hydaburg Cooperative Association, Hydaburg, AK

**Report Date:** August 29, 2023

**Fiscal Year Ending:** December 31, 2022

**Applicable DOT Operating Administration and Program:** FHWA, Highway Planning and Construction Cluster, Tribal Transportation Program

**Finding Number:** 2022-011<sup>46</sup> [**Repeat Finding:** 2021-008]

**Compliance Requirement:** Activities Allowed or Unallowed, Allowable Costs/Cost Principles

**Condition:** We selected a sample of 22 payroll transactions for the program. Out of those transactions, we did not receive supporting documentation for one of the transactions. Additionally, we noted that two transactions did not have approved pay rates, one transaction did not have proper supervisor approval, and one transaction found an employee was paid an incorrect rate.

**Independent Auditor's Recommendation:** We recommend the Association adhere to their internal control policies to ensure accurate reporting of payroll transactions.

**Questioned Costs:** Actual and likely questioned costs estimated to be below the reporting threshold of \$25,000. Based on the auditors' review of pay rates, all employees were being paid a reasonable amount based on their position and the auditors' experience with similar entities.

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<sup>46</sup> Caused a Qualified Opinion on FHWA's Highway Planning and Construction Cluster.

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## Exhibit R. Capital Area Transit System, Baton Rouge, LA

**Report Date:** June 27, 2023

**Fiscal Year Ending:** December 31, 2022

**Applicable DOT Operating Administration and Program:** FTA, Federal Transit Cluster

**Finding Number:** 2022-005<sup>47</sup>

**Compliance Requirement:** Procurement and Suspension and Debarment

**Condition:** The portion related to procurement is a repeated finding from 2019, 2020 and 2021. During our testing of purchases under the procurement regulations, for 2 out of 10 vendors (paid approximately \$1.59 million out of the amount tested of \$12.8 million) selected for testing, the System was unable to provide supporting documentation that these vendor services or supplies were procured in accordance with the standards in §200.320. The universe (population) from which the items were selected was all vendor payments in 2022 over \$10,000 consisting of 154 vendors paid approximately \$22 million. Additionally, while the System does maintain written policies and procedures related to procurement standards, documentation addressing the acquisition of unnecessary or duplicative items was not present.

During our testing of compliance with the suspension and debarment regulations, for 2 out of 10 vendors selected for testing (same vendors selected for procurement testing above), the System was unable to provide documentation of its conclusions that these vendors were not suspended or debarred. The universe (population) from which the items were selected were all vendor payments in 2022 over \$25,000 consisting of 94 vendors paid approximately \$21 million. Based on a review of SAM.gov, none of these vendors were suspended or debarred.

**Independent Auditor's Recommendation:** We recommend the System implement internal controls to ensure that supporting documentation is maintained for the procurement of goods and services in accordance with §200.320. Additionally, we recommend that the System enhance its written policies and procedures to ensure that documentation is included regarding the avoidance of the acquisition of unnecessary or duplicative items. Documentation and policies should include procedures for the competitive bidding of bus parts on a quarterly basis and evidence that purchases are from these bid responses and from the lowest qualified vendor. A review of all contracts to ensure the appropriate language exists regarding suspension and debarment regulations or the System should consider an annual review of SAM.gov for all vendors.

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<sup>47</sup> Caused a Qualified Opinion on FTA's Federal Transit Cluster.

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## **Exhibit S.** Gerald R. Ford International Airport Authority, Grand Rapids, MI

**Report Date:** July 27, 2023

**Fiscal Year Ending:** December 31, 2022

**Applicable DOT Operating Administration and Program:** FAA, Airport Improvement Program

**Finding Number:** 2022-004

**Compliance Requirement:** Activities Allowed or Unallowed

**Condition:** Unallowable costs incurred prior to the period of performance under the grant agreement were submitted and reimbursed by the granting agency. Additionally, these costs were initially included on the schedule of expenditures of federal awards.

**Independent Auditor's Recommendation:** We recommend that the Authority enhance review procedures prior to submission of grant reimbursements to ensure that costs were incurred in the period of performance under the grant.

**Questioned Costs:** \$139,625

U.S. Department of Transportation  
Office of Inspector General

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# Fraud & Safety Hotline

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